

DECLINE IN REVENUE ENDS HOPE TO KEEP TEMPORARY TAX CUT

**High Treasury Officials Point to
\$64,261,211 Drop in Fifty
Days, July 1 to Aug. 19.**

CUSTOMS OFF \$40,000,000

**World Slump Is Blamed, but
Experts See Tariff Effect—
Debt Up \$4,485,903.**

NET "LOSS" IS \$93,754,084

**Mellon Is Silent Pending Annual
Report, but Associates Indicate
No Rise Above 1928 Tax Rates.**

Special to The New York Times.

WASHINGTON, Aug. 21.—With the debt reduction program at a standstill because of the lack of surplus funds that may be safely applied to the sinking fund, and with current revenues each day showing a further shrinkage, high Treasury officials admitted today that they had practically abandoned hope of recommending for next year a continuance of the 1 per cent tax reduction on normal incomes voted by Congress last December as a temporary measure in the emergency created by the stock market collapse.

Some, who were pessimistically inclined, believed it would be necessary to recommend to the next Congress even higher taxes for 1931 than those carried in the 1928 revenue law, in order to avert a serious deficit at the end of the fiscal year 1931.

The more general belief, however, is that the 1928 rates will be permitted to stand even if a deficit results, as it is felt that a move to increase taxes would further accentuate the economic depression which is giving much concern already.

It was indicated at the Treasury that Secretary Mellon felt it was too early to talk with definiteness about the tax situation but that he would go into a full discussion of the subject, as well as the relation of revenues to expenditures, in his annual report to Congress in December.

60 Per Cent of Loss in Customs.

One of the most serious decreases in revenue has been due to the tremendous drop in customs receipts, which in the first fifty days of the fiscal year have fallen from about \$85,000,000 to about \$45,000,000, a decrease of \$40,000,000, as compared with the same period last year.

In fact, this loss of customs receipts represents about 60 per cent of the \$64,261,211 total loss of revenues to the government during these fifty days, as compared with a year ago.

To just what extent the new tariff rates are responsible for this, officials said it was difficult to determine.

One admitted cause is the severe industrial depression, which has resulted in sharp curtailment of imports of raw materials. Decreased purchasing power, following the stock market collapse and accentuated by extensive unemployment, was said to have caused importers to curtail commitments. But some of the experts expressed the view that the increased tariffs had played a part.

If the ratio of decrease should continue over an extensive period it might well mean that the government would lose up to \$200,000,000 in customs receipts, which ran close to \$600,000,000 in the preceding fiscal year.

Officials hope, however, that there will be a sharp upturn of industrial activity in the last half of the fiscal year, accompanied by increased purchasing power of industries and individual consumers.

The debt-reduction situation is one of the angles of Treasury financing

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END HOPE TO RETAIN FEDERAL TAX CUT

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which throws a pretty clear light upon the condition of affairs which the Treasury faces.

Under the law, the Treasury must apply to the sinking fund from ordinary revenues a specified amount each year for reduction of the public debt.

During the first fifty days of the last fiscal year, July 1 to Aug. 19, 1929, the public debt was cut \$104,379,643 by purchases for the sinking fund and other operations. During the similar fifty-day period in 1930 the debt had actually increased \$4,485,903.

The manner in which revenues have been shrinking and costs rising has caused deep concern among Administration officials.

This situation was noted practically at the beginning of the fiscal year on July 1 and its effects have proved cumulative. On Aug. 19, for instance, revenues had decreased \$64,261,211 since July 1, as compared with the same fifty days of the previous fiscal year, and expenses were \$29,492,873 greater, a net loss to the government of \$93,754,084.

\$9,900,401 Loss in Four Days.

Attention was called to this situation in a dispatch to THE NEW YORK TIMES published Tuesday morning, which gave the figures for the fiscal year up to Aug. 15. And the situation confronting the Treasury is a net loss of almost \$10,000,000 was suffered by the government in the four succeeding days.

The comparative figures for the forty-six-day periods ended Aug. 15, to make this year because of the ratification of the Mellon-Berenger agreement. This money will come 1929 and 1930, and for the fifty-day periods ended Aug. 19, 1929 and 1930, are as follows:

| | Revenues. | Expenses. |
|-------------------------|---------------|---------------|
| July 1 to Aug. 15, '29. | \$252,132,544 | \$373,996,750 |
| July 1 to Aug. 15, '30. | 197,365,559 | 403,083,448 |

| | | |
|-----------------------|---------------|---------------|
| Inc. or dec., 1930. | -\$54,766,985 | +\$29,086,698 |
| Net loss to gov. bal. | \$83,853,683 | |

| | Revenues. | Expenses. |
|-------------------------|---------------|---------------|
| July 1 to Aug. 19, '29. | \$279,630,362 | \$395,036,176 |
| July 1 to Aug. 19, '30. | 215,369,151 | 424,529,049 |

| | | |
|-----------------------|---------------|---------------|
| Inc. or dec., 1930. | -\$64,261,211 | +\$29,492,873 |
| Net loss to gov. bal. | \$93,754,084 | |

These figures, showing a net loss to the government bookkeeping balance during the four days, Aug. 15 to 19, of \$9,900,401, are accepted as unmistakable evidence of the trend of affairs.

A loss of \$10,000,000 in revenue for the period as compared with last year was due to the fact that last year France made a payment of \$10,000,000 interest on her war debt on Aug. 1, which she was not required

later to the treasury when the regular semi-annual payment by France under the agreement falls due.

Deficit Faced if Tax Is Restored.

The policy of granting 1 per cent tax reduction for a single year was new and for the fiscal year 1930 it worked out well, as there was a surplus of about \$184,000,000.

To continue such a reduction into 1931 Congress must pass a resolution at the next session, but the developments to date have been such that the Treasury feels it cannot recommend this step.

It appears that a substantial deficit will be faced on June 30, 1931, even if the reduction is not continued, and that it will be necessary to use cash payments made by foreign governments on their war debts for sinking fund purposes instead of using them to accomplish debt reduction in addition to sinking fund charges, a policy followed in all administrations since the war.

Business conditions in the calendar year 1930 have been so poor, with no definite sign of substantial improvement up to this time, that a continuation of the 1 per cent tax reduction is considered out of the question by most Treasury officials. The best they look forward to, apparently, is sufficient improvement this Autumn to avoid a large deficit at the close of the current fiscal year.

Most officials, it is said, feel it would be better to accept a deficit of \$100,000,000 to \$200,000,000, and meet it by borrowings, than actually to increase taxation above the 1928 rate at a time when industry was struggling to get on its feet again.

Internal revenue statistics for July, which do not include customs and some other important sources, were made public today and showed a decrease in twenty-seven items and an increase in but nine as compared with July, 1929.

Income tax collections, corporation and individual, at \$29,699,017, showed a decrease of \$5,036,823, while miscellaneous taxes, because of a continued increase in the cigarette tax collections, at \$56,355,459, were \$1,272,231 above last year.

Corporation income taxes were \$20,294,420, as against \$21,625,773 in July 1929, and individual income taxes \$9,404,597, as against \$13,110,067.

Cigarette production rose again to 11,858,840,263 for July, 1930, as compared with 10,724,402,990 in July, 1929. A summary of some of the miscellaneous taxes showing the general downward trend follows:

| Objects of taxation. | July, 1929. | July, 1930. |
|--------------------------------------|----------------|----------------|
| Est. of decedents..... | \$3,122,769.47 | \$4,556,674.39 |
| Admissions | 404,049.61 | 296,188.67 |
| Club dues | 1,098,248.38 | 959,625.68 |
| Pistols and revolvers | 9,193.15 | 10,073.20 |
| Non-bev. spirits..... | 891,726.59 | 735,924.86 |
| Wines, cordials, &c.. | 17,071.97 | 6,908.02 |
| Grape brandy | 15,435.53 | 4,729.22 |
| Bonds, cap. stock issues, &c. | 2,504,705.88 | 1,788,490.52 |
| Cap. stock sales or transfers | 3,385,342.55 | 3,137,531.80 |
| Sales of produce (future delivery).. | 284,941.25 | 199,179.56 |
| Playing cards | 206,805.80 | 186,259.30 |
| Cigars | 2,007,347.85 | 1,720,795.97 |
| Cigarettes | 32,179,736.70 | 35,580,844.11 |
| Snuff | 516,591.81 | 530,241.98 |
| Tobacco, chewing and smoking | 5,369,238.52 | 5,048,620.02 |
| Oleomargarine | 146,408.40 | 100,126.87 |